

**CITY OF TEMPE, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2005**

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CONTENTS

Page

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditors' Results	8
Section II - Financial Statement Findings	9
Section III - Federal Award Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	10



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of the City Council
City of Tempe, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona as of and for the year ended June 30, 2005, which collectively comprise the City of Tempe, Arizona's basic financial statements and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tempe, Arizona's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tempe, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Honorable Mayor, Members of the City Council, City management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 7, 2005



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council
City of Tempe, Arizona

Compliance

We have audited the compliance of the City of Tempe, Arizona with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of Tempe, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Tempe, Arizona's management. Our responsibility is to express an opinion on the City of Tempe, Arizona's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Tempe, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Tempe, Arizona's compliance with those requirements.

In our opinion, the City of Tempe, Arizona complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 05-1.

Internal Control Over Compliance

The management of the City of Tempe, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Tempe, Arizona's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Tempe, Arizona's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Tempe, Arizona's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Honorable Mayor, Members of the City Council, City management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 7, 2005

CITY OF TEMPE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor's Number	Expenditures & Transfers
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Section 8 Housing Vouchers Program	14.871	N/A	\$ 8,639,536
Community Development Block Grant	14.218	N/A	1,978,025
Passed through Maricopa County:			
HOME Grant	14.239	M-03-DC-04-0227	248,848
HOME Grant	14.239	M-04-DC-04-0227	108,799
HOME Grant	14.239	M-02-DC-04-0227	993
			<u>358,640</u>
Total U.S. Department of Housing and Urban Development			<u>10,976,201</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Local Law Enforcement Block Grant VII	16.592	N/A	63,923
Local Law Enforcement Block Grant IX	16.592	N/A	143,754
			<u>207,677</u>
Passed through Arizona Department of Public Safety:			
Victims of Crime Act	16.575	DPS# 00-904	79,349
Passed through Arizona Governor's Division for Children:			
Juvenile Accountability Incentive Block Grant	16.523	99JAIBG-22	64,175
Passed through Juvenile Justice and Delinquency Prevention:			
Under Ten Offender Program	16.540	AO-004-008	7,404
Delinquency Prevention Program	16.548	AD020014-001Y1	14,508
Delinquency Prevention Program	16.548	J5-CSG-04-5273-003Y1	31,814
			<u>46,322</u>
Total U.S. Department of Justice			<u>404,927</u>
<u>U.S. Department of Transportation</u>			
Passed through Arizona Governor's Office of Highway Safety:			
State and Community Highway Safety	20.600	2001-157OP-004	15,555
State and Community Highway Safety	20.600	2004-157B-008	6,290
State and Community Highway Safety	20.600	2005-AL-002	74
State and Community Highway Safety	20.600	2005-PS-001	2,362
State and Community Highway Safety	20.600	2005-PO-001	2,158
			<u>26,439</u>
State Incentive Grants for Use of Seatbelts	20.604	2004-157B-010	19,249
State Incentive Grants for Use of Seatbelts	20.604	2005-157B-028	6,308
			<u>25,557</u>
Passed through City of Phoenix, Arizona:			
Federal Transit Administration	20.507	C2001219	218,240
Federal Transit Administration	20.507	AZ-90-X054	553,400
Federal Transit Administration	20.507	N/A	192,574
			<u>964,214</u>
Passed through Arizona Department of Transportation:			
Highway Planning and Construction	20.205	N/A	311,194
Total U.S. Department of Transportation			<u>1,327,404</u>

CITY OF TEMPE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005
(CONCLUDED)

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures & Transfers</u>
<u>U.S. Department of Agriculture</u>			
Passed through Arizona Department of Health Services:			
State Administrative Matching Grants for Food Stamp Program	10.561	HG361096	29,730
State Administrative Matching Grants for Food Stamp Program	10.561	HI461227	47,841
Total U.S. Department of Agriculture			<u>77,571</u>
<u>U.S. Office of Library Services</u>			
Passed through Institute of Museum and Library Services:			
Museum for America Grants	45.301	ML-02-03-0707-03	1,919
Museum Assessment Program	45.302	ML-01-03-0062-03	325
Passed through Arizona Department of Library, Archives and Public Records:			
State Library Program	45.310	N/A	21,501
Total U.S. Office of Library Services			<u>23,745</u>
<u>U.S. Department of the Interior, National Park Service</u>			
Direct Program:			
Phoenix Metro Agua Fria Recharge Project	15.504	01-FC-32-0010	58,275
Passed through Arizona State Parks:			
National Park Service	15.904	N/A	7,800
Total U.S. Department of the Interior, National Park Service			<u>66,075</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Twenty-First Century Community Learning Centers	84.287	S287B011304	10,056
Safe and Drug-Free Schools and Communities	84.186	N/A	125,660
Total U.S. Department of Education			<u>135,716</u>
<u>Federal Emergency Management Agency</u>			
Direct Program:			
Assistance to Firefighters Grant	83.554	EWV-2002-FG-17647	44,632
Total Federal Emergency Management Agency			<u>44,632</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Arizona Governor's Division of Drug Policy:			
Consolidated Knowledge Development and Application Program	93.230	A9-0079-011	1,478
Total U.S. Department of Health and Human Services			<u>1,478</u>
<u>U.S. Department of Homeland Security</u>			
Direct Programs:			
Urban Areas Security Initiative	97.008	2004-TU-T4-0017	220,735
Citizen Corporate Council	97.053	N/A	544
Passed through Arizona Department of Emergency Management:			
State Domestic Preparedness Equipment Support Program	97.004	2002-TE-CX-0142	39,443
State Domestic Preparedness Equipment Support Program	97.004	2003-TE-TX-0196	403,714
State Domestic Preparedness Equipment Support Program	97.004	2004-GE-T4-0051	643,786
State Domestic Preparedness Equipment Support Program	97.004	2003-TE-CX-0196	13,426
			<u>1,100,369</u>
Total U.S. Department of Homeland Security			<u>1,321,648</u>
Total Expenditures of Federal Awards			<u>\$ 14,379,397</u>

CITY OF TEMPE, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Tempe, Arizona and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2005 *Catalog of Federal Domestic Assistance*.

**CITY OF TEMPE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified that are not
considered to be a material weakness(es)?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified that are not
considered to be a material weakness(es)?

X yes _____ none reported

Type of auditors' report issued on compliance for major
programs:

Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of OMB Circular A-
133?

X yes _____ no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

14.218

Community Development Block Grant

20.507

Federal Transit Administration

97.004

State Domestic Preparedness Equipment Support Program

Dollar threshold used to distinguish between Type A and
Type B programs:

\$431,382

Auditee qualified as low-risk auditee?

X yes _____ no

**CITY OF TEMPE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

SECTION II - FINANCIAL STATEMENT FINDINGS

We noted no reportable conditions, material weaknesses or instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards*.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

PROGRAM	FINDINGS	QUESTIONED COSTS
U.S. DEPARTMENT OF HOMELAND SECURITY		
State Domestic Preparedness Equipment Support Program	05-1 <u>CONDITION/CONTEXT</u> The City did not prepare or submit quarterly reports to its oversight agency.	N/A
CFDA No. 97.004 Grant No.	<u>CRITERIA</u> According to grant agreements, the City should submit quarterly reports within 30 days of the close of the quarter.	
2003-TE-CX-0142, 2003-TE-TX-0196, 2004-GE-T4-0051, 2003-TE-CX-0196		
Pass-Through Agency: Arizona Department of Emergency Management	<u>EFFECT</u> Program requirements were not met.	
	<u>CAUSE</u> Unknown.	
	<u>RECOMMENDATION</u> The City should follow guidelines as outlined in the grant agreements. The City should prepare reports and submit them within 30 days of quarter-end for grants awarded.	
	<u>VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS</u> The City will take greater care to ensure that quarterly reports are prepared and submitted timely.	

**CITY OF TEMPE, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2005**

STATUS OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Status of Federal Award Findings and Questioned Costs

CFDA No. 16.592

Program Name: Local Law Enforcement Block Grant

Finding No. 04-01

Status: Fully corrected.

CFDA No. 16.592

Program Name: Local Law Enforcement Block Grant

Finding No. 04-02

Status: Fully corrected.

CFDA No. 16.592

Program Name: Local Law Enforcement Block Grant

Finding No. 04-03

Status: Fully corrected.

CFDA No. 20.205

Program Name: Highway Planning and Construction

Finding No. 04-04

Status: Fully corrected.

CFDA No. 20.507

Program Name: Federal Transit Formula Grant

Finding No. 04-05

Status: Fully corrected.